



School of Business
Alabama A&M University

**Self Study Guide
and
Sample Questions
for the
Exit Examination**

Table of Contents

	Page
Test-Taking Skills	3
Review:	
Accounting.....	4
Management Information Systems	7
Sample Questions:	
Finance	9
Accounting.....	11
Economics	14
Statistics	15
Marketing	17
Management	18
Production/Operation Management.....	20
Legal/Social Environment.....	21

Test Quest Test-Taking Skills

The real Key to taking a test is to be prepared—to have spent consistent time studying. But there are test-taking strategies that might help you do well on a test.

General Guidelines

- Get a **good night's sleep** before the test
- **Arrive early** and take a moment to relax
- Don't go to the test with an **empty stomach**
- **Read directions** carefully. Listen to instructions from the exam coordinator. Important directions could be given
- If you go blank on a question, skip it and come back to it at a later time
- Make a **study sheet** before the test and use it to review
- Be sure you have all of the **supplies** you need—pencil, calculator, texts, etc.
- Save time at the end to review what you have done. Make sure you've answered everything.
- Answer the **easiest questions first**

Multiple Choice Tests

- Read the **stem** carefully
- Read **all of the answers** before selecting.
- First **eliminate answers** you know are wrong
- **Always guess** when there is no penalty for guessing. Don't guess if you are penalized for guessing
- Your **first choice is usually correct**, so don't change answers unless you're sure you are correct.

For more information on test-taking skills, go to these sites:

- **Dealing with Test Anxiety**
<http://www.studygs.net/tstprp8.htm>
- **Multiple Choice Test**
<http://www.studygs.net/tsttak3.htm>
- **Study Guides and Test-Taking Strategies Hotlist**
<http://www.eop.mu.edu/study/>
- **Survival Strategies for Taking Tests**
<http://www.mtsu.edu/~studski/teststrat.html>
- **Ten Tips for Test-Taking**
<http://www.studygs.net/tsttak1.htm>
- **Test-Taking Skills, Tricks, Strategies and Techniques**
<http://www.testtakingtips.com/test/index.htm>

REVIEW: THE ACCOUNTING CYCLE

Accounting is an information system that provides reports to stakeholders (people with an interest in the business) about the economic activities and condition of a business. The accounting system gathers, identifies, analyzes, records, and reports all **economic events** of a business enterprise to the stakeholders. Typically, business enterprises can be further sub-classified into three common types, namely, sole-proprietorships, partnerships, and corporations. Stakeholders can be internal or external. Internal stakeholders include owners, managers, and employees, and external stakeholders include customers, creditors, and the government.

Economic events are broadly defined as all **business transactions** that affect the **financial condition** of the business enterprise. A business transaction to be considered for inclusion in the accounting cycle must be measurable in currency units and must affect the financial position of the enterprise in question.

The financial condition of the enterprise is represented by its **net worth**. Net worth is calculated as the difference between the company's assets (resources owned by a business) and its liabilities (the claims of creditors upon those assets, which represent the debts of a business).

The relationship between assets, liabilities, and the owner's equity (the claims of the owners on the assets of the business, also called net worth) can be stated in an equation (the **accounting equation**):

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

Financial accountants follow **generally accepted accounting principles (GAAP)** in preparing reports that allow investors and other stakeholders. These accounting principles and concepts are developed by the **Financial Accounting Standards Board (FASB)**.

The accounting reports (financial statements) that provide the information needed are as follows:

- **Income statement**—a summary of the revenue and expenses *for a specific period of time* (e.g., month or year).
- **Statement of Retained Earnings** – a summary of the changes in the earnings retained in the corporation *for a specific period of time* (e.g., month or year).
- **Balance Sheet** – a list of the assets, liabilities, and owner's equity *as of a specific date*, usually at the close of the last day of a month or year.
- **Statement of Cash Flows** – a summary of the cash receipts and cash payments *for a specific period of time*, (e.g., month or year)

The Income Statement reports the revenues and expenses for a period of time based on the **matching concept**. This concept is applied by *matching* the expenses incurred during a period with the revenue generated during the same period by those expenses. The excess of revenue over expenses is referred to as **net income** and if expenses exceed revenue, the deficit is termed **net loss**.

The Statement of Retained Earnings analyzes changes in the owner's equity of a corporation. The two types of transactions that affect the retained earnings are (1) dividends paid to stockholders and (2) the net income or net loss.

The Balance Sheet reports the amounts of assets, liabilities, and owner's equity. The assets are presented in the order that they will be converted to cash. The assets of a permanent nature are presented next. The liabilities are presented in the order of current (short term, one year or less) and long term (more than one year).

The Statement of Cash Flows consists of three sections detailing cash flows from: (1) operating activities, which is a summary of cash receipts and cash payments from operations, (2) investing activities, which reports the cash transactions for the acquisition and sale of relatively permanent assets, and (3) financing activities, which reports the cash transactions related to cash investments by the stockholders, borrowings, and cash dividends.

An **account** is a record used to record and summarize the effects of transactions on financial statements. A group of accounts for a business entity is called a **ledger**. A list of the accounts in the ledger is called a **chart of accounts**. These accounts are listed in the order in which they appear in the financial statements: balance sheet accounts first (assets, liabilities, and owner's equity), and then income statement accounts (revenues and expenses).

All business transactions can be stated in terms of changes in assets, liabilities, or owner's equity. For every debit entry there must be a credit entry. The normal balance of assets is a debit balance, the normal balance of liabilities and owner's equity is a credit balance, the normal balance of revenues is a credit balance, and the normal balance of expenses is a debit balance.

Transactions are entered into a record called a **journal**. This process of recording is called **journalizing** and the form of recording is called a **journal entry**. Regardless of how many accounts are used, the sum of the debits entered **must always** equal the sum of the credits entered. This equality is built into the accounting equation (assets = liabilities + owner's equity). This system is known as **double-entry accounting**. The process of transferring the debits and credits from the journal entries to the accounts is called **posting**.

To determine the equality of debits and credits in the ledger, which should be proven at the end of each accounting period, a **trial balance** is prepared. This lists all the account balances at the end of the period and indicates whether the total debits and total credits are equal.

The journal entries that bring the accounts up to date at the end of the accounting period are called **adjusting entries**. These entries always affect one balance sheet account (asset or liability) and one income statement account (revenue or expense). There are four basic items that need adjusting entries:

- **deferred expenses** (prepaid expenses) items that have been initially recorded as assets but are expected to become expenses over time (e.g., prepaid insurance, prepaid interest);
- **deferred revenues** (unearned revenues) items that have been initially recorded as liabilities but are expected to become revenues over time (e.g., unearned rent, tuition received in advance);
- **accrued expenses** (accrued liabilities) expenses that have been incurred but not yet recorded in the accounts (e.g., wages owed to employees at the end of a period, accrued taxes);
- **accrued revenues** (accrued assets) revenues that have been earned but not yet recorded in the accounts (e.g., fees for services not yet billed, accrued rent on property rented to others).

A special type of deferred expenses entry is concerning depreciation on fixed assets. All fixed assets, except land, lose their usefulness, and this loss in value is called **depreciation**. A portion of an asset's loss of usefulness is recorded each year of its useful life as a debit entry to the depreciation expense account and a credit entry to a contra account (a deduction of a related asset account) called accumulated depreciation.

Accountants often use **working papers** for summarizing data needed for various analyses and reports. The working papers are not considered a part of the formal accounting records. The **work sheet** is a working paper that accountants can use to summarize adjusting entries and the account balances for the financial statements. The first part of the work sheet consists of the unadjusted trial balance columns. The next columns are devoted to the adjusting entries as explained above. Located next in the work sheet are the adjusted trial balance columns where adjustments are made from the data in the adjusting columns and the adjusted amounts are then extended to the adjusted trial balance columns along with the account balances that required no adjustments. Extending the adjusted trial balance amounts to the Income Statement and Balance Sheet columns completes the work sheet. The revenues and expenses are extended to the Income Statement and the assets, liabilities, and owner's equity is extended to the Balance Sheet. After all accounts have been extended, the columns are totaled. The difference in the Income Statement columns is the net income (revenue greater than expenses) or net loss (expenses greater than revenues). Also, the difference between the two columns in the Balance Sheet is the net income or net loss.

The work sheet can then be used to assist in the preparation of the financial statements. The income statement is normally prepared directly from the work sheet. The first item normally presented on the Statement of Retained Earnings is the balance of the retained earnings at the beginning of the period, listing afterwards any investments made by the owners during the period (an increase of retained earnings) or any withdrawals (dividends) (a decrease of retained earnings) during the period. This amount is added or subtracted from the net income or net loss. A decrease or increase in retained earnings is determined from this information and an end of the year balance is determined.

The Balance Sheet is prepared from the Balance Sheet columns along with the new balance of Retained Earnings from the Statement of Retained Earnings. The total of all current assets, fixed assets, and intangible assets (patents, goodwill, etc.) **must equal** the total of total liabilities (current and long term) and stockholders' (owners') equity.

The adjusting entries in the adjusting entries column are journalized and posted to the appropriate accounts in the ledger.

To complete the accounting cycle, closing entries, which transfer the balances of temporary accounts (used only one period) to the owner's equity account (retained earnings or owners' capital). These temporary accounts should have a zero balance at the beginning of an accounting period. The revenue and expense accounts are closed out (brought to zero) to an account called **income summary**. The balance of the income summary is then transferred to the owner's capital (or retained earnings) account. The balance of the owner's drawing account (or dividends) is also transferred to the owner's equity (or retained earnings) account. The entries that transfer these balances are called **closing entries** and the process is called the **closing process**.

A post closing trial balance is the last accounting procedure of a period after the closing entries have been posted. The purpose of this report is to confirm that the ledger is in balance for the beginning of the next period.

In conclusion, the steps discussed above and listed below all make up the **accounting cycle**.

1. Transactions are analyzed and recorded in a journal.
2. Transactions are posted to the ledger.
3. A trial balance is prepared, adjustment data are assembled, and the work sheet is completed.
4. Financial statements are prepared.
5. Adjusting entries are journalized and posted to the ledger.
6. Closing entries are journalized and posted to the ledger.
7. A post-closing trial balance is prepared.

This process begins with analyzing and journalizing transactions and ends with the post closing trial balance. The most important output of the accounting cycle is the financial statements. One must understand the steps of the accounting cycle in order to further study accounting.

Accounting – Other Topics (Financial)

Students are advised to obtain a principles level accounting textbook or Accounting Principles II, CliffsQuickReview (available at bookstores for \$9.95)

- Students must review the chapter on “Financial Statement Analysis” from an accounting text. It is important to know the different formulas for calculating ratios from the Income Statement, Statement of Retained Earnings, Balance Sheet, and the Statement of Cash Flows. You will also be tested on your knowledge of the inter-relationships among the financial statements.
- Students must also be able to demonstrate knowledge of the methods and processes used to determine the aggregate figures that appear on the different financial statements. For e.g., student must know how to calculate depreciation expense using different methods, how to calculate Provision for Uncollectible Accounts, how to write off discount or premium on Bonds Payable using different methods, how to calculate Merchandise Inventory using different methods, etc.
- Students are encouraged to summarize the main topics for use as personal study guides. Samples of summaries for “Bonds Payable” are available for pickup from Dr. Sekhar Anantharaman in NSB 201B. Other sample handouts are available for pick up from Dr. Rohit Jain, NSB 201E.

Accounting – Other Topics (Managerial)

- Cost Concepts include knowing the differences between financial and managerial accounting, how to prepare a manufacturing income statement, cost flows including prime costs, conversion costs, applying factory overheads using pre-determined overhead rates, total manufacturing costs, cost of goods manufactured, cost of goods available for sale, cost of goods sold, dealing with under-applied or over-applied overheads, and differences between product costs vs. period costs.
- Product costing systems include knowing the differences between job-order and process costing systems, knowing how to calculate work-in-process ending inventory and cost of goods manufactured for the period using each method using FIFO and average costing approaches.
- Activity based costing approach that assumes that the steps or activities that must be followed to manufacture a product are what determine the overhead costs incurred, knowing how to calculate activity cost per unit and using it to apply overhead costs, and differences between traditional cost systems and activity based costs systems.
- Cost-Volume-Profit analysis including cost behavior issues namely direct costs vs. indirect costs, fixed vs. variable costs, dealing with semi-variable or mixed costs, etc., knowing how to calculate contribution margin, contribution margin ratio, break-even point sales in units and dollars, sales in dollars and units to reach a targeted income, margin of safety.
- Budgeting issues including fixed budgets, flexible budgets, zero-based budgeting, master budget, sales budget, manufacturing costs budgets, direct materials budget, direct labor budget, manufacturing overhead budget, selling expenses budget, proforma financial statements, etc.
- Standard costs including definition of standard costs and developing standards, calculating and interpreting direct material variances, direct labor variances, and manufacturing overhead variances.

Non-routine decision making issues including relevant costs, absorption costing approach, variable costing approach, opportunity costs, sunk costs, and decisions on whether or not to accept additional business, make or buy, sell or process further, eliminating a segment, allocation of scarce resources (sales mix problems)

REVIEW: MANAGEMENT INFORMATION SYSTEMS PRINCIPLES

- System users, business managers, and information systems professionals must work together to build a successful information system.
- The value of information is directly linked to how it helps decision makers achieve the organization's goals.
- Knowing the potential impact of information systems and having the ability to put this knowledge to work can result in a successful personal career, organizations that reach their goals, and a society with a higher quality of life.
- When selecting an operating system, you must consider the current and future requirements for applications software to meet the needs of the organization. In addition, your choice of a particular operating system must be consistent with your choice of hardware.
- The use of information systems to add value to the organization can also give an organization a competitive advantage.
- Information systems personnel are the key to unlocking the potential of any new or modified system.
- Users must work closely with IS professionals to define business needs, evaluate options, and select the hardware and software that provide a cost-effective solution to those needs.
- Do not develop proprietary application software unless doing so will meet a compelling business need that can provide a competitive advantage.
- Choose a programming language whose functional characteristics are appropriate for the task at hand, taking into consideration the skills and experience of the programming staff.
- The software industry continues to undergo constant change; users need to be aware of recent trends and issues to be effective in their business and personal life.
- The database approach to data management provides significant advantages over the traditional file-based approach.
- A well-designed and well managed database is an extremely valuable tool in supporting decision making.
- The number and types of database applications will continue to evolve and yield real business benefits.
- Effective communications are essential to organizational success.
- The internet is like many other technologies-it provides a wide range of services, some of which are effective and practical for use today, others are still evolving, and still others will fade away from lack of use.
- Originally developed as a document-management system, the World Wide Web is a menu-based system that is easy to use for personal and business applications.
- Because the Internet and the World Wide Web are becoming more universally used and accepted for business, management, service and speed, privacy, and security issues must continually be addressed and resolved.
- E-commerce is a new way of conducting business, and as with any other new application of technology, it presents both opportunities for improvement and potential problems.
- E-commerce requires the careful planning and integration number of technology infrastructure components
- Implementation of an enterprise resource planning (ERP) systems enables a company to achieve many benefits by creating a highly integrated set of systems.
- Because the Internet and the World Wide Web are becoming more universally used and accepted for business, management, service and speed, privacy, and security issues must continually be addressed and resolved.
- E-commerce is a new way of conducting business, and as with any other new application of technology, it presents both opportunities for improvement and potential problems.
- E-commerce requires the careful planning and integration number of technology infrastructure components
- Implementation of an enterprise resource planning (ERP) systems enables a company to achieve many benefits by creating a highly integrated set of systems.
- An organization's transaction processing system (TRP) must support the routine, day-to-day activities that occur in the normal course of business and help a company add value to its products and services.
- Good decision-making and problem-solving skills are the key to developing effective information and decision support systems
- The management information system (MIS) must provide the right information to the right person in the right fashion at the right time.
- Decision support systems (DSS) are used when the problems are unstructured.
- Group support systems (GSS) and executive support system (ESS) use the overall approach of DSS in situations such as group and executive decision making

- Artificial intelligence systems form a broad and diverse set of systems that can replicate human decision making for certain types of well-defined problems
- Expert systems can enable a novice to perform at the level of an expert but must be developed and maintained very carefully.
- Virtual reality systems have the potential to reshape the interface between people and information technology by offering new ways to communicate information, visualize processes, and express ideas creatively.
- Specialized systems can help organizations and individuals achieve their goals.
- Effective systems development requires a team effort of stakeholders, users, managers, systems development specialists, and various support personnel, and it starts with careful planning.
- Systems development starts with investigation and analysis of existing systems
- Systems development often uses different approaches and tools such as traditional development, prototyping rapid application development, end user development, computer-aided software engineering, and object oriented development to select, implement, and monitor projects
- Designing new systems or modifying existing ones should always be aimed at helping an organization achieve its goals.
- The primary emphasis of systems implementation is to make sure that the right information is delivered to the right person in the right format at the right time.
- Maintenance and review add to the useful life of a system but can consume large amounts of resources.
- Policies and procedures must be established to avoid computer waste and mistakes
- Computer crime is a serious and rapidly growing area of concern requiring management attention
- Working conditions must be designed to avoid negative ethical consequences

SAMPLE QUESTIONS

Finance

- 1) Christy would like to improve the current ratio of her firm, which is now 0.5, so that she will have a better chance of obtaining a working capital loan. Which of the following options would improve her current ratio?
 - a. use cash to pay off notes payable
 - b. collect some of her accounts receivables
 - c. purchase additional inventory on credit
 - d. borrow short-term funds to pay off some payables
- 2) If a firm's price to earnings (P/E) ratio is 10,
 - a. it is not possible for it to be paying dividends also
 - b. its market to book ratio has to be at least 2.0
 - c. its net profit margin is positive
 - d. its return on stockholders' equity is negative
- 3) The _____ correlated the returns from two securities are, the _____ will be the portfolio effects of risk reduction.
 - a. more positively, greater
 - b. greater, greater
 - c. less positively, greater
 - d. lower, lower
- 4) Texas Computers (TC) stock has a beta of 1.5 and American Water (AW) stock has a beta of 0.5. Which of the following statements will be true about these securities?
 - a. The addition of TC would reduce portfolio risk more than the addition of AW.
 - b. The addition of AW would reduce total portfolio risk more than the addition of TC.
 - c. The required return for TC is greater than the required return for AW.
 - d. The required return for AW is greater than the required return of TC.
- 5) The following yields on 20 year bonds prevailed in January for the three securities shown:
Aa-rated corporate bond 9.98%
Baa-rated corporate bond 10.34%
B-rated corporate bond 11.12%
The difference in yields is due primarily to
 - a. maturity risk premium
 - b. default risk premium
 - c. seniority risk premium
 - d. financial risk premium
- 6) You have determined the profitability of a planned project by finding the present value of all the cash flows from that project. Which of the following would cause the project to look more appealing in terms of the present value of those cash flows?
 - a. The discount rate decreases.
 - b. The cash flows are extended over a longer period of time, but the total amount of the cash flows remains the same.
 - c. The discount rate increases.
 - d. Statements b and c are correct.
 - e. Statements a and b are correct.
- 7) The difference in yields is due primarily to
 - a. maturity risk premium
 - b. default risk premium
 - c. seniority risk premium
 - d. financial risk premium
- 8) Which of the following bonds will have the greatest percentage increase in value if all interest rates decrease by 1 percent?
 - a. 20-year, zero coupon bond.
 - b. 10-year, zero coupon bond.
 - c. 20-year, 10 percent coupon bond.
 - d. 20-year, 5 percent coupon bond.
 - e. 1-year, 10 percent coupon bond.
- 9) A 10-year bond with a 9 percent annual coupon has a yield to maturity of 8 percent. Which of the following statements is most correct?
 - a. The bond is selling at a discount.
 - b. The bond's current yield is greater than 9 percent.
 - c. If the yield to maturity remains constant, the bond's price one year from now will be lower than its current price.
 - d. Statements a and b are correct.
 - e. None of the statements above is correct.
- 10) The expected rate of return on the common stock of Northwest Corporation is 14 percent. The stock's dividend is expected to grow at a constant rate of 8 percent a year. The stock currently sells for \$50 a share. Which of the following statements is most correct?
 - a. The stock's dividend yield is 8 percent.
 - b. The stock's dividend yield is 7 percent.
 - c. The current dividend per share is \$4.00.
 - d. The stock price is expected to be \$54 a share in one year.
 - e. The stock price is expected to be \$57 a share in one year
- 11) All else equal, which of the following actions will increase the amount of cash on a company's balance sheet?
 - a. The company issues new common stock.
 - b. The company repurchases common stock.
 - c. The company pays a dividend.
 - d. The company purchases a new piece of equipment.
 - e. All of the statements above are correct.
- 12) Solo Company has been depreciating its fixed assets over 15 years. It is now clear that these assets will only last a total of 10 years. Solo's accountants have encouraged the firm to revise its annual depreciation to reflect this new information. Which of the following would occur as a result of this change?
 - a. The company's earnings per share would decrease.
 - b. The company's cash position would increase.
 - c. The company's EBIT would increase.
 - d. Statements a and b are correct.
 - e. All of the statements above are correct.
- 13) A firm has notes payable of \$1,546,000, long-term debt of \$13,000,000, and total interest expense of \$1,300,000. If the firm pays 8 percent interest on its long-term debt, what interest rate does it pay on its notes payable?
 - a. 8.2%
 - b. 13.1%
 - c. 16.8%
 - d. 18.0%
 - e. 15.3%

- 14) All else being equal, which of the following will increase a company's current ratio?
- An increase in accounts receivable.
 - An increase in accounts payable.
 - An increase in net fixed assets.
 - Statements a and b are correct.
 - All of the statements above are correct.
- 15) A firm has a debt/equity ratio of 50 percent. Currently, it has interest expense of \$500,000 on \$5,000,000 of total debt outstanding. Its tax rate is 40 percent. If the firm's ROA is 6 percent, by how many percentage points is the firm's ROE greater than its ROA?
- 0.0%
 - 3.0%
 - 5.2%
 - 7.4%
 - 9.0%
- 16) A beta value of 0.5 for a security indicates
- the security has average systematic risk
 - the security has above-average systematic risk
 - the security has no unsystematic risk
 - the security has below-average systematic risk
- 17) The risk-free rate of return can be thought of as consisting of the following two components:
- a real rate of return, a default premium
 - unanticipated inflation, bond default premium
 - a real rate of return, an inflation premium
 - a zero beta component, an expectation premium
- 18) A portfolio is efficient if
- for a given standard deviation, there is no other portfolio with a higher expected return
 - for a given expected return, there is no other portfolio with a lower standard deviation
 - its standard deviation is equal to -1.0
 - a and b
- 19) You have just won a \$5 million lottery to be received in twenty annual equal payments of \$250,000. What will happen to the present value of your winnings if the interest rate increases during the next 20 years.
- it will be worth less
 - it will be worth more
 - it will not change
 - none of the above
- 20) Using the "Rule of 72," about how long will it take a sum of money to double in value if the annual interest rate is 9 percent?
- 9 years
 - 7 years
 - 8 years
 - 10 years
- 21) The more frequent the compounding the
- greater the present value
 - greater the amount deposited
 - greater the effective interest rate
 - lesser the future value
- 22) When the market for an asset is in equilibrium, the expected rate of return on the asset is equal to the:
- risk-free rate
 - marginal investor's required rate of return
 - historical cost of capital
 - perpetual capitalization rate
- 23) If an American Water Company bond has a coupon rate of 9.0 percent and is selling for \$920, then the yield to maturity must be:
- greater than 9%
 - equal to 9%
 - less than 9%
 - cannot be determined
- 24) The basic relationship in bond valuation is for a given percentage point change in the required rate of return, the _____ the time to maturity, the _____ the change in value.
- shorter, greater
 - longer, smaller
 - longer, greater
 - none of the above
- 25) A zero coupon bond is a bond that
- originally sold at a discount
 - will sell for a premium
 - is a premium value bond
 - has a high current yield
- 26) The book value per share of common stock is calculated by dividing _____ by the number of shares outstanding
- market value of common stock
 - total assets
 - total stockholders' equity plus preferred stock
 - total common stockholders' equity
- 27) The returns investors receive from holding common stocks may be in two forms. They are
- cash dividend payments and capital gains
 - future earnings and treasury stock
 - stock splits and stock dividends
 - cash dividends and stock dividends
- 28) The P/E ratio indicates
- how much investors are willing to pay for \$1 of current earnings
 - the current yield
 - the current price
 - how risky the stock is
- 29) If a U.S. firm desires to avoid the risk from exchange rate fluctuations, and it is receiving 100,000 in 90 days, it could:
- obtain a 90-day forward purchase contract on euros.
 - obtain a 90-day forward sale contract on euros.
 - purchase euros 90 days from now at the spot rate.
 - sell euros 90 days from now at the spot rate.
- 30) Assume the Canadian dollar is equal to \$.88 and the Peruvian Sol is equal to \$.35. The value of the Peruvian Sol in Canadian dollars is:
- about .3621 Canadian dollars.
 - about .3977 Canadian dollars.
 - about 2.36 Canadian dollars.
 - about 2.51 Canadian dollars.
- 31) LIBOR is:
- the interest rate commonly charged for loans between banks.
 - the average inflation rate in European countries.
 - the maximum loan rate ceiling on loans in the international money market.

- d. the maximum deposit rate ceiling on deposits in the international money market.
- e. the maximum interest rate offered on bonds that are issued in London.
- 32) Assume a Japanese firm invoices exports to the U.S. in U.S. dollars. Assume that the forward rate and spot rate of the Japanese yen are equal. If the Japanese firm expects the U.S. dollar to _____ against the yen, it would likely wish to hedge. It could hedge by _____ dollars forward.
- depreciate; buying
 - depreciate; selling
 - appreciate; selling
 - appreciate; buying
- 33) When the foreign exchange market opens in the U.S. each morning, the opening exchange rate quotations will be based on the:
- closing prices in the U.S. during the previous day.
 - closing prices in Canada during the previous day.
 - prevailing prices in locations where the foreign exchange markets have been open.
 - officially set by central banks before the U.S. market opens.
- 34) The value of the Australian dollar (A\$) today is \$0.73. Yesterday, the value of the Australian dollar was \$0.69. The Australian dollar _____ by _____%.
- depreciated; 5.80
 - depreciated; 4.00
 - appreciated; 5.80
 - appreciated; 4.00
- c. 600
- d. 700
- 37) How many computers must Inland Company sell each month to earn a monthly gross profit of \$10,000?
- 300
 - 350
 - 600
 - 700
- 38) Another firm has offered to produce the Pentium 4 - 320 for Inland Company and sell it to the company for \$120 each. Inland cannot avoid the factory lease payments, but can avoid all labor costs if it does not produce these computers. Under these conditions, how many Pentium 4 - 320 computers must Inland sell to earn a monthly gross profit of \$10,000?
- 417
 - 500
 - 625
 - 875
- 39) If merchandise is sold on account to a customer for \$1,000, terms FOB shipping point, 1/10, n/30, and the seller prepays \$50 in transportation costs, the amount of the discount for early payment would be:
- \$0
 - \$5.00
 - \$10.00
 - \$10.50
- 40) Total revenues for John's Video Rental a sole proprietorship for the month of January was \$45,000, and expenses were \$37,500. During the month of January the owner withdrew \$10,000 from John's Video for personal use. The amount of Net Income or Net loss would be:
- \$45,000 net income
 - \$7,500 net income
 - \$37,500 net loss
 - \$2,500 net loss

Accounting

- 35) On July 31, Deon Company's general ledger shows a cash balance of \$5,123. The July 31 bank statement shows a balance of \$4,905. Other information is available as follows:
- A July 31 deposit of \$300 does not appear on the bank statement; but a \$3 service charge does
 - A customer's \$40 insufficient funds (insf) check has been returned with the bank statement
 - Outstanding checks of \$10, \$15 and \$100 are identified on July 31.
- What is the correct cash balance on July 31?
- \$4,905
 - \$5,080
 - \$5,166
 - \$5,205

Questions 36, 37 & 38 are based on the following information

Inland Company sells computers. The Pentium 4 - 320 sells for \$200 each. Each computer requires two (2) types of raw materials and one(1) hour of direct labor for manufacturing a computer. Raw materials costs \$30 each and direct production labor is paid \$40 per hour. Fixed supervisory costs are \$20,000 per month and Inland rents its factory on a five year lease for \$40,000 per month. All costs are considered costs of production

- 36) How many computers must Inland Company produce and sell each month to break-even.
- 300
 - 350

Use the following information to answer Questions 41 & 42

Grand Electronics manufacturers a model of clock radio, CR2. For the month of July the company estimates sales in units of 4,700 units. At the beginning of the month(July 1) the company estimated inventory of 350 units and inventory at the end of the month(July 31) of 410.

- 41) How many units must Grand Electronics produce in the month of July to meet its estimated sales of 4,700 units?
- 4,700
 - 4,760
 - 5,050
 - 5,110
- 42) If Grand Electronics requires 0.50 of an hour to produce one clock radio and the company pays its assembly workers \$10.00 an hour. How much must Grand Electronics budget for its assembly workers for the month of July?
- \$23,800
 - \$50,500
 - \$23,500
 - \$47,000

- 43) A profit making business operating as a separate legal entity and in which ownership is divided into shares of stock is known as a:
- proprietorship
 - service business
 - partnership
 - corporation
- 44) Lindsay Corporation at the end of the current year has total current assets of \$85,000; total assets of \$285,000; total current liabilities of \$42,000, total liabilities of \$142,000 and total stockholders equity of \$143,000. The company's working capital for the current year is
- \$143,000
 - \$43,000
 - \$127,000
 - \$34,000
- 45) All other things being equal, a bank would most likely prefer to lend to a company with a debt to equity ratio of
- .30
 - 1.00
 - .15
 - 2.00
- 46) A current ratio of 4.3 means that:
- there are \$4.30 in current assets available to pay each dollar of current liabilities.
 - the company cannot pay its debts as they come due
 - there are \$4.30 in current assets for every \$4.30 in current liabilities
 - there are \$4 in current assets for every \$3 in current liabilities
- 47) Merchandise is ordered on November 12; the merchandise is shipped by the seller and the invoice is prepared, dated, and mailed by the seller on November 15; the merchandise is received by the buyer on November 17; the entry is made in the buyer's accounts on November 18. The credit period begins with what date?
- November 12
 - November 15
 - November 17
 - November 18
- 48) Merchandise subject to terms 1/10, n/30, FOB shipping point, is sold on account to a customer for \$15,000. The seller paid transportation costs of \$1,000 and issued a credit memorandum for \$5,000 prior to payment. What is the amount of the cash discount allowable?
- \$160
 - \$150
 - \$140
 - \$100
- 49) Sales to customers who use bank credit cards, such as MasterCard and Visa, are generally treated as:
- sales on account
 - sales returns
 - cash sales
 - sales when the credit card company remits the cash
- 50) A retailer purchases merchandise with a catalog list price of \$10,000. The retailer receives a 25% trade discount and credit terms of 2/10, n/30. What amount should the retailer record as the cost of the Inventory.
- \$7,500
 - \$10,000
 - \$9,800
 - \$7,350
- 51) A sales invoice included the following information: merchandise price, \$4,000; transportation, \$300; terms 1/10, n/eom, FOB shipping point. Assuming that a credit for merchandise returned of \$600 is granted prior to payment, that the transportation is prepaid by the seller, and that the invoice is paid within the discount period, what is the amount of cash received by the seller?
- \$3,366
 - \$3,400
 - \$3,666
 - \$3,950
- 52) Merchandise is sold for cash. The selling price of the merchandise is \$2,000 and the sale is subject to a 5% state sales tax. The amount of sales recorded by the seller is
- \$2,000.
 - \$2,100.
 - \$100.
 - None of the above.
- 53) The net sales to assets ratio measures a company's:
- working capital
 - net worth
 - effective use of sales to support the purchase of new assets
 - effective use of assets to generate sales
- 54) The most common way a company discovers fraud is by:
- accident
 - checking the Internet
 - tips from employees, customers, or suppliers
 - lie detector tests
- 55) A doomsday ratio of .05:
- is impossible
 - means a company has only five cents in cash and cash equivalents to pay every \$1.00 in current liabilities
 - means the company should immediately file bankruptcy in order to protect itself from creditors
 - means that current liabilities are five percent of current assets
- 56) A 90-day, 12% note for \$10,000, dated May 1, is received from a customer on account. The maturity value of the note is:
- \$10,000
 - \$10,300
 - \$450
 - \$9,550
- 57) On November 1, Blazer Company receives a 6% interest bearing note from Ram Company to settle a \$20,000 account receivable. The note is due in six months. At December 31, Blazer should record interest revenue of:
- \$0
 - \$100
 - \$200
 - \$600

- d. \$574.90
- 58) Accounts Receivable Turnover measures:
- how frequently during the year the accounts receivable are converted to cash
 - the number of days outstanding
 - the fair market value of accounts receivable
 - the efficiency of the accounts payable function
- 59) A building with an appraisal value of \$137,000 is made available at an offer price of \$142,000. The purchaser acquires the property for \$30,000 in cash, a 90-day note payable for \$40,000, and a mortgage amounting to \$60,000. The cost basis recorded in the buyer's accounting records to recognize this purchase is:
- \$137,000
 - \$142,000
 - \$130,000
 - \$100,000
- 60) A fixed asset with a cost of \$30,000 and accumulated depreciation of \$27,500 is sold for \$3,500. What is the amount of the gain or loss on disposal of the fixed asset?
- \$2,500 loss
 - \$1,000 loss
 - \$2,500 gain
 - \$1,000 gain
- 61) All leases are classified as either:
- capital leases or long-term leases
 - capital leases or operating leases
 - operating leases or current leases
 - long-term leases or current leases
- 62) All things being equal except the ratio of fixed assets to long-term liabilities, a lender would prefer to lend to a company whose ratio is:
- 1.0
 - 2.0
 - 3.0
 - 3.5
- 63) An employee receives an hourly rate of \$25, with time and a half for all hours worked in excess of 40 during a week. Payroll data for the current week are as follows: hours worked, 46; federal income tax withheld, \$350; cumulative earnings for year prior to current week, \$99,700; social security tax rate, 6.0% on maximum of \$100,000; and Medicare tax rate, 1.5% on all earnings. What is the gross pay for the employee?
- \$775.00
 - \$752.50
 - \$1,225.00
 - \$1,102.50
- 64) An employee receives an hourly rate of \$15, with time and a half for all hours worked in excess of 40 during the week. Payroll data for the current week are as follows: hours worked, 48; federal income tax withheld, \$120; cumulative earnings for the year prior to this week, \$24,500; Social security tax rate, 6% on maximum of \$100,000; and Medicare tax rate, 1.5% on all earnings; state unemployment compensation tax, 3.4% on the first \$7,000; federal unemployment compensation tax, .8% on the first \$7,000. What is the net amount to be paid the employee?
- \$568.74
 - \$601.50
 - \$660.00
 - \$574.90
- 65) The charter of a corporation provides for the issuance of 100,000 shares of common stock. Assume that 40,000 shares were originally issued and 5,000 were subsequently reacquired. What is the number of shares outstanding?
- 5,000
 - 35,000
 - 45,000
 - 55,000
- 66) A corporation has 40,000 shares of \$25 par value stock outstanding. If the corporation issues a 4-for-1 stock split, the number of shares outstanding after the split will be:
- 160,000 shares
 - 40,000 shares
 - 120,000 shares
 - 10,000 shares
- 67) A corporation has 50,000 shares of \$28 par value stock outstanding that has a current market value of \$160. If the corporation issues a 4-for-1 stock split, the market value of the stock will fall to approximately:
- \$7
 - \$112
 - \$40
 - \$640
- 68) Compute conversion costs given the following data: Direct Materials, \$352,700; Direct Labor, \$196,300; Factory Overhead, \$177,600.
- \$549,000
 - \$726,600
 - \$373,900
 - \$530,300
- 69) For which of the following businesses would the job order cost system be appropriate?
- Meat processor
 - Automobile manufacturer
 - Oil refinery
 - Construction contractor
- 70) For which of the following businesses would the process cost system be appropriate?
- Book publisher
 - Dress designer
 - Lumber mill
 - Printing firm
- 71) Which of the following costs are not included in finished goods inventory?
- Direct labor
 - Factory overhead
 - Company president's salary
 - Direct materials
- 72) The Collins Company forecasts that total overhead for the current year will be \$12,000,000 and that total machine hours will be 200,000 hours. Year to date, the actual overhead is \$8,000,000 and the actual machine hours are 100,000 hours. If the Collins Company uses a predetermined overhead rate based on machine hours for applying overhead, what is that overhead rate?
- \$80 per hour
 - \$120 per hour
 - \$40 per hour
 - \$60 per hour

- 73) Which of the graphs in Figure 18(3)-1 illustrates the behavior of a total fixed cost?

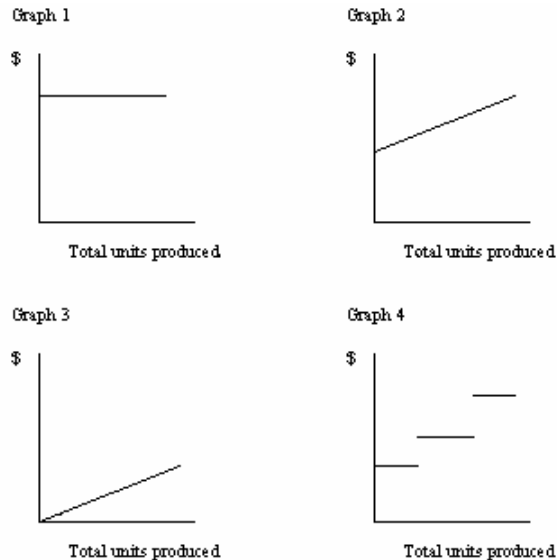


Figure 18(3)-1

- a. Graph 2
 b. Graph 3
 c. Graph 4
 d. Graph 1
- 74) If sales are \$820,000, variable costs are 62% of sales, and operating income is \$260,000, what is the contribution margin ratio?
 a. 53.1%
 b. 38%
 c. 62%
 d. 32%
- 75) If fixed costs are \$750,000 and variable costs are 70% of sales, what is the break-even point (dollars)?
 a. \$1,071,429
 b. \$525,000
 c. \$2,500,000
 d. \$1,275,000
- 76) If fixed costs are \$1,400,000, the unit selling price is \$220, and the unit variable costs are \$120, what is the amount of sales required to realize an operating income of \$200,000?
 a. 14,000 units
 b. 12,000 units
 c. 16,000 units
 d. 13,333 units
- 77) If fixed costs are \$200,000 and the unit contribution margin is \$20, what amount of units must be sold in order to have a zero profit?
 a. 25,000
 b. 20,000
 c. 200,000
 d. 10,000
- 78) If the expected sales volume for the current period is 7,000 units, the desired ending inventory is 400 units, and the beginning inventory is 300 units, the number of units set forth in the production

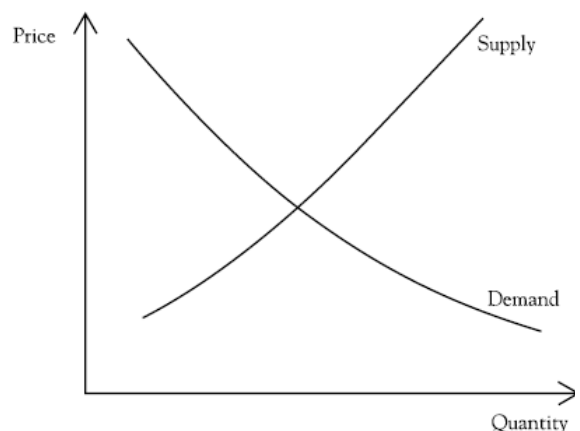
- budget, representing total production for the current period, is:
 a. 6,900
 b. 7,000
 c. 7,200
 d. 7,100

- 79) O'Neill Co. has \$296,000 in accounts receivable on January 1, 2000. Budgeted sales for January are \$860,000. O'Neill expects to sell 20% of its merchandise for cash. Of the remaining 80% of sales on account, 75% are expected to be collected in the month of sale and the remainder the following month. The January cash collections from sales are:
 a. \$812,000
 b. \$688,000
 c. \$468,000
 d. \$984,000

Economics

- 80) If demand is inelastic, an increase in price will lead to
 a. an increase in total revenue
 b. a decrease in total revenue
 c. no change in total revenue
 d. an unpredictable change in total revenue
- 81) When marginal product increases,
 a. this has no effect on marginal cost
 b. marginal cost must become negative
 c. marginal cost increases
 d. marginal cost decreases
- 82) In the short-run, firms will shut down (cease production) when
 a. profit is negative
 b. profit is declining
 c. operating profit is declining
 d. operating profit is negative
- 83) If the marginal propensity to consume is 0.8, the marginal propensity to save is
 a. indeterminate
 b. 1.8
 c. 5.0
 d. 0.2

Questions 84 and 85 are based on the diagram below that shows the demand and supply curves for leather garments.

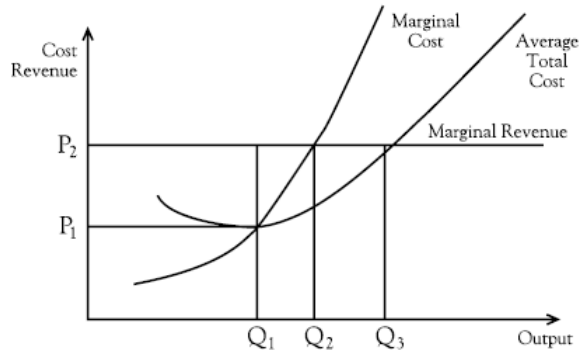


- 84) An increase in the price of leather and a simultaneous increase in consumers' incomes will most likely have which of the following effects on

the equilibrium price and quantity of leather garments?

- | | | |
|----|---------------|-----------------|
| | <u>Price</u> | <u>Quantity</u> |
| a. | Increase | Increase |
| b. | Increase | Indeterminate |
| c. | Indeterminate | Decrease |
| d. | Decrease | Decrease |

- 85) If the government places a price ceiling on leather garments that is below the equilibrium price, which of the following will occur in the market for leather garments?
- There will be a shortage.
 - There will be a surplus.
 - The demand curve for leather garments will shift leftward.
 - The supply curve for leather garments will shift rightward.



- 86) The profit-maximizing price and quantity for the firm whose cost and revenue curves are shown above will be which of the following?
- | | | |
|----|--------------|-----------------|
| | <u>Price</u> | <u>Quantity</u> |
| a. | P1 | Q2 |
| b. | P2 | Q1 |
| c. | P2 | Q2 |
| d. | P2 | Q3 |

- 87) The average propensity to consume is the ratio of
- total consumption to total disposable income
 - a change in consumption to the change in income
 - a change in equilibrium income to the change in investment spending
 - equilibrium income to total consumption

- 88) When the opportunity cost ratios for two countries differ, a basis for mutually beneficial international trade exists. This situation describes the principle of
- comparative advantage
 - absolute advantage
 - economic growth
 - equilibrium

- 89) Which of the following types of inflation would result if the price level rose because of an increase in the price of raw materials?
- Deflation
 - Hyperinflation
 - Demand-pull inflation
 - Cost-push inflation

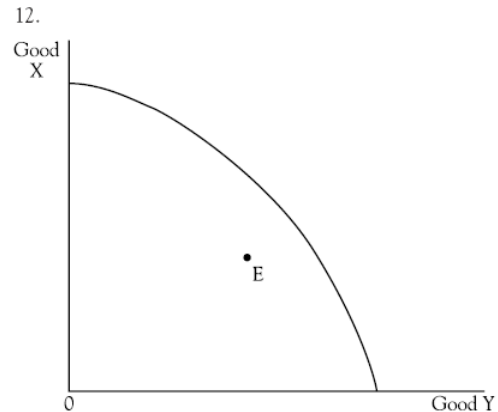
- 90) Gross domestic product minus depreciation equals which of the following?
- Disposable income
 - Personal income

- Net domestic product
- Consumption

- 91) The Federal Reserve's primary policy tools include all of the following EXCEPT
- operating in the open market
 - borrowing from foreign governments
 - changing the discount rate
 - setting reserve requirements

- 92) Which of the following expresses a relationship proposed by Keynesian consumption theory?
- If disposable income increases, saving will increase.
 - If interest rates rise, saving will increase.
 - If government expenditures increase, national income will decline.
 - If personal consumption increases, disposable income will decline.

- 93) During a recession, an appropriate fiscal policy would be
- an increase in taxes
 - an increase in government spending
 - a decrease in the reserve requirement
 - a decrease in the discount rate



- 94) The diagram above shows the production possibilities frontier for an economy. If the economy is producing at point E, which of the following must be true?
- The economy is not fully employing all its resources.
 - The economy can increase the production of good X only if it decreases the production of good Y.
 - The economy can move to the frontier without changing current techniques of production.
- I only
 - II only
 - I and III only
 - II and III only

Statistics

- 95) The numbers of hours worked per week by 400 statistics students are shown below

Number of Hours	Frequency
0-9	20
10-19	80
20-29	200
30-39	100

The cumulative relative frequency (less than) for the class of 20-29 is

- 300.
- 0.25.
- 0.75.
- 0.50.
- cannot be determined from the information given

- 96) A survey of 800 college seniors resulted in the following cross tabulation regarding their undergraduate major and whether or not they plan to go to graduate school.

Grad School	Undergraduate Major			Total
	Business	Engineering	Others	
Yes	70	84	126	280
No	182	208	130	520
Total	252	292	256	800

What percentage of the students does not plan to go to graduate school?

- 280
 - 520
 - 65
 - 32
 - None of the above answers is correct
- 97) The mean of a sample
- is always equal to the mean of the population.
 - is always smaller than the mean of the population.
 - is computed by summing the data values and dividing the sum by $(n-1)$.
 - is computed by summing all the data values and dividing the sum by the number of items.
 - None of the above answers is correct.
- 98) The 75th percentile is referred to as the
- first quartile.
 - second quartile.
 - third quartile.
 - fourth quartile.
 - None of the above answers is correct.
- 99) During a cold winter, the temperature stayed below zero for ten days (ranging from -20 to -5). The variance of the temperatures of the ten period
- is negative since all the numbers are negative.
 - must be greater than zero.
 - cannot be computed since all the numbers are negative.
 - can be either negative or positive.
 - None of the above answers is correct.
- 100) On a December day, the probability of snow is .30. The probability of a "cold" day is .50. The probability of snow and "cold" weather is .15. Are snow and "cold" weather independent events?
- only if given that it snowed
 - no
 - yes
 - only when they are also mutually exclusive
 - None of the above answers is correct.
- 101) One of the basic requirements of probability is
- for each experimental outcome E_i , we must have $P(E_i) > \text{or} = 1$.
 - $P(A) = P(A^c) - 1$.
 - if there are k experimental outcomes, then the sum of $P(E_i) = 1$.
 - both b and c.
- e. None of the above answers is correct.
- 102) If a penny is tossed four times and comes up heads all four times, the probability of heads on the fifth trial is
- zero
 - 1/32
 - 0.5
 - larger than the probability of tails
 - None of the above answers is correct.
- 103) If A and B are mutually exclusive events with $P(A) = 0.3$ and $P(B) = 0.5$, then $P(A \cup B) =$
- 0
 - 0.15
 - 0.8
 - 0.2
 - None of the above is correct.
- 104) An experiment consists of four outcomes with $P(E_1) = 0.2$, $P(E_2) = 0.3$, and $P(E_3) = 0.4$. The probability of outcome E_4 is
- 0.500
 - 0.024
 - 0.100
 - 0.900
 - None of the above answers is correct.
- 105) The student body of a large university consists of 60 percent female students. A random sample of eight students is selected. What is the probability that among the students in the sample exactly two are female?
- 0.0896
 - 0.2936
 - 0.0413
 - 0.0007
 - None of the above answers is correct.
- 106) If you are conducting an experiment where the probability of a success is .02 and you are interested in the probability of 4 successes in 15 trials, the correct probability function to use is the
- standard normal probability density function.
 - normal probability density function.
 - Poisson probability function.
 - binomial probability function.
 - None of the above answers is correct.
- 107) Larger values of the standard deviation result in a normal curve that is
- shifted to the right
 - shifted to the left
 - narrower and more peaked
 - wider and flatter
 - None of the above answers is correct.
- 108) A random sample of size n from a finite population of size N is a sample selected such that each possible sample selected of size
- n has the same probability of being selected.
 - n has a probability of 0.5 of being selected.
 - n has a probability of 0.1 of being selected.
 - n has the same probability of being selected.
 - None of the above answers is correct.
- 109) After computing a confidence interval, the user believes the results are meaningless because the width of the interval is too large. Which one of the following is the best recommendation?
- Increase the level of confidence for the interval.

- b. Discard the current data and try a different sample.
- c. Increase the sample size.
- d. Reduce the population variance.
- e. None of the above answers is correct.

Marketing

- 110) The most frequently cited shortcomings of current marketing plans, according to marketing executives, are lack of realism, insufficient competitive analysis, and a _____ focus.
- a. long term
 - b. profit
 - c. short-run
 - d. product
 - e. price
- 111) In response to giant retailers and category killers, entrepreneurial retailers are building entertainment into stores with coffee bars, lectures, demonstrations, and performances. They are marketing a(n) _____ rather than a product assortment.
- a. experience
 - b. customer value
 - c. customer delight
 - d. total service button
 - e. intangible benefit(s)
- 112) Primary data can be collected in several ways. Which of the following primary data collection methods would be exemplified by constructing see-through mirrors in a retail store whereby consumers' actions could be recorded?
- a. focus groups
 - b. surveys
 - c. observation
 - d. behavioral data
 - e. experiments
- 113) The 2000 U.S. census provides an in-depth look at the population swings, demographic groups, regional migrations, and changing family structure of 281+ million people. Which of the following steps to improve the quality of company marketing intelligence system would be most closely associated the above illustration?
- a. A company can purchase information from outside suppliers.
 - b. A company can take advantage of government data sources.
 - c. A company can use online customer feedback systems to collect data.
 - d. A company can network externally.
 - e. A company can use its sales force to collect and report data.
- 114) When the Marlboro Man was depicted in advertising as a rugged outdoor, tough cowboy type, this was done to establish what is called a _____.
- a. trademark
 - b. brand name
 - c. brand personality
 - d. psychological approach to advertising
 - e. brand reference
- 115) As Rita scans the yellow pages section of her phone book looking for a florist, she sees several others products and services advertised. Though interesting on first glance, she quickly returns to her primary task of finding a florist. The items that distracted her from her search were most likely stored in which of the following types of memory?
- a. short-term memory
 - b. long-term memory
 - c. middle memory
 - d. subconscious memory
 - e. subliminal memory
- 116) Ultimately, the amount of steel sold to General Motors depends on the consumer's demand for GM cars and trucks. From the standpoint of the steel manufacturer, which of the following demand forms is most pertinent?
- a. Derived demand
 - b. Inelastic demand
 - c. Geographic demand
 - d. Relational demand
 - e. Static demand
- 117) A marketing manager is considering several options to market to market segments identified as being either culture-oriented, sports-oriented, or outdoor-oriented. This manager has selected the _____ format for segmenting markets.
- a. personality
 - b. behavioral occasions
 - c. user status
 - d. psychographic lifestyle
 - e. readiness stage
- 118) There are shifts that favor the customer in the client relationship. Customers are now becoming more sophisticated about buying product support services and are pressing for "_____."
- a. selective pricing
 - b. institutional pricing/services
 - c. substitute services
 - d. promotional pricing
 - e. services unbundling
- 119) According to information presented in the text, the _____ cultural market segment is the most fashion conscious of all the racial groups, tend to be motivated by quality and selection, and shop more at neighborhood stores.
- a. African American
 - b. Hispanic American
 - c. Asian American
 - d. European American
 - e. Indian American
- 120) Marketers must change their conventional marketing to sell their products to developing countries. One of the changes that marketers can make is to _____.
- a. reduce the price of the product but increase the packaging size
 - b. reduce the size but keep the pricing the same
 - c. reduce the price of the product
 - d. reduce the size and price of the packaging
 - e. increase the price and the packaging size because these countries have never seen the product before
- 121) A successful cause marketing program can produce a number of benefits: improving social welfare; creating differentiated brand positioning; building strong consumer bonds; enhancing the company's public image with government officials and other decision makers; creating a reservoir of

goodwill; boosting internal morale and galvanizing employees; and _____.

- a. increased profit margins
- b. increased brand recognition
- c. driving sales
- d. increasing the rate of return on net worth
- e. increased stock pricing

Management

Use the following to answer question 122:

Maria Mescon is Chief Executive Officer of a clothing company. She spends much of her day coming up with ideas and interacting with fellow employees. Every day, she meets with other supervisors who are in charge of applying her vision to the company's operations. Top supervisors and other employees in the company describe her as "fierce and fearless," because she is willing to do anything for the benefit of the company, whether ethical or not, and she doesn't care what people think of her. Please answer the following questions based on this scenario.

- 122) Based on Maria's character, which early work would be most similar to her management style:
- a. The Art of War, by Sun Tzu
 - b. The Prince, by Niccolo Machiavelli
 - c. The Wealth of Nations, by Adam Smith
 - d. Economic Control of Quality, by Walter A. Shewhart
 - e. Out of the Crises, by W. Edwards Deming

Use the following to answer questions 123-125:

Sony is interviewing Robert Robinson for a management position. He has always been interested in foreign culture, speaks three languages, and is very interested in working overseas with the company. Please answer the following questions based on this scenario.

- 123) The manager asks Robert to name a change that has recently occurred in international business. Which of the following would be a correct response?
- a. The United States dominates the world economy more than ever
 - b. U.S. multinationals dominate international business
 - c. Formerly communist economies are now accessible to Western businesses
 - d. The global economy has become less knowledge-intensive
 - e. The global economy has put an emphasis on physical country borders
- 124) To demonstrate his knowledge of international business, Robert should know that _____ has greatly reduced trade barriers for Sony?
- a. the establishment of the European Union
 - b. the establishment of ASEAN
 - c. changing demographics
 - d. the General Agreement on Tariffs and Trade
 - e. the Foreign Corrupt Practice Act of 1977
- 125) To assess his knowledge of U.S. international trade, the manager asks Robert: which of the following economic communities the United States is a part of?
- a. The EU and NAFTA
 - b. NAFTA and ASEAN
 - c. ASEAN and APEC

- d. APEC the EU
- e. NAFTA and APEC

- 126) If the American company does collaborate with a local company to market the new product, which mode of entry is being utilized?
- a. Exporting
 - b. Turnkey projects
 - c. Licensing
 - d. Wholly owned subsidiary
 - e. Strategic alliance

Use the following to answer questions 127-128:

Pam is the owner of Pam's Pizza. Pam has constructed a statement that reveals how the firm intends to use its resources, capabilities, and core competencies. She also has developed a statement that reveals her plans of producing, marketing, and utilizing internally based core competencies. She felt that these two statements would give her company some direction. Pam has recently thought about acquiring a bowling alley. However, she is still unsure if this is the right move for her company. She is uncertain because, currently, Pam's Pizza is able to provide its service less expensively than competitors. If she acquires the bowling alley she may lose this advantage.

- 127) If Pam acquires the bowling alley she will be performing which type of strategy?
- a. Concentration strategy
 - b. Differentiation strategy
 - c. Diversification strategy
 - d. Cohesive strategy
- 128) If Pam chooses to stay only in the pizza business, she is performing which type of strategy?
- a. Conglomerate strategy
 - b. Differentiation strategy
 - c. Diversification strategy
 - d. Concentration strategy
- 129) A professional soccer team is trying to find out if a goalie has talent by having him defend against 10 shots in a series of 3 rotations. The goalie stops 6 the first time, 6 the second, and 5 the third, meaning the test exhibits:
- a. validity
 - b. responsiveness
 - c. sensitivity
 - d. generalizability
 - e. reliability
- 130) When Ford created the "Quality is Job One" program and tied pay incentives to that model, it was using:
- a. tactical compensation
 - b. strategic compensation
 - c. directed compensation
 - d. a new form of budget allocation
 - e. the resource distribution method of compensation
- 131) If AT&T decided to promote someone who could interact effectively with both the white males in the corporate office as well as Spanish-speaking phone operators and their supervisor, the individual should possess:
- a. A Masters degree in Spanish
 - b. Interpersonal flexibility skills
 - c. Heterogeneous team skills
 - d. Regional awareness skills

- e. Ethnic sensitivity
- 132) Which theory concludes workers can experience several levels of needs at the same time?
- a. Maslow's hierarchy theory
 - b. Alderfer's ERG theory
 - c. Reinforcement theory
 - d. Expectancy theory
 - e. Equity theory
- 133) Management by objectives is most closely associated with:
- a. goal setting theory
 - b. reinforcement theory
 - c. need theories
 - d. Maslow's hierarchy
 - e. Alderfer's ERG theory

Use the following to answer questions 134-135:

At work, people develop beliefs about the fairness of the rewards they receive relative to their contributions. Rewards can be things such as recognition, promotions, and pay. Employees have a general perception that the rewards they receive will be proportionate to the work they provide.

- 134) The situation above is based on which theory?
- a. Equity theory
 - b. Goal setting theory
 - c. Expectancy theory
 - d. Reinforcement theory
- 135) The ratio of equity is as follows:
- a. inputs/personal outcomes vs. others outcomes/inputs
 - b. personal outcomes/ inputs vs. others outcomes/inputs
 - c. inputs/personal outcomes vs. inputs/others outcomes
 - d. personal outcomes/inputs vs. inputs/others outcomes

Use the following to answer questions 136-138:

Mr. Jones devised a list in which he identified basic things that were important to him. His list was as follows: 1) food; 2) shelter; 3) friendships; 4) steady job; and 5) status.

- 136) According to McClelland, the #3 need for Mr. Jones is an example of which type of need?
- a. Physiological needs
 - b. Safety needs
 - c. Affiliation needs
 - d. Power needs
- 137) According to Maslow's hierarchy of needs, the #4 need for Mr. Jones is an example of which type of need?
- a. Physiological needs
 - b. Safety needs
 - c. Social needs
 - d. Esteem needs
- 138) According to Maslow's hierarchy of needs, the #5 need for Mr. Jones is an example of which type of need?
- a. Physiological needs
 - b. Safety needs
 - c. Social needs
 - d. Esteem needs

- 139) The central idea of "more than one need can motivate at the same time" comes from:
- a. Maslow's needs hierarchy
 - b. Goal setting theory
 - c. Herzberg's motivator hygiene theory
 - d. Equity theory
 - e. McClelland's learned needs theory
- 140) Shakil, a small-business owner in a medium-sized town of Wisconsin, actively elicits his subordinate's input and opinions and uses them when making decisions that affect his business. According to the path-goal theory, Shakil is a(n):
- a. directive leader
 - b. supportive leader
 - c. contingent leader
 - d. achievement-oriented leader
 - e. participative leader
- 141) Bianca, a newly hired manager at ABC, establishes expectations for followers, determines targets to attain, organizes tasks, sets deadlines and schedules, and closely monitors their progress. According to the path-goal theory, Bianca can be described as a(n)
- a. directive leader
 - b. supportive leader
 - c. contingent leader
 - d. achievement-oriented leader
 - e. participative leader
- 142) The U.S. Navy Seals signify:
- a. high group cohesiveness
 - b. high level of individuality
 - c. significant degree of mistrust
 - d. high level of groupthink
 - e. low level of cooperation
- 143) If a New Yorker interprets a southerner with slower speech as being unsophisticated and less intelligent, and the southerner believes the New Yorker to be rude and untrustworthy because of his fast-talking accent, what has occurred?
- a. An encoding problem
 - b. A feedback problem
 - c. A decoding problem
 - d. One-way communication
 - e. A sender barrier

Use the following to answer questions 144-145:

Suppose that you work for a hotel chain, and your manager tells you that the company is going to change its control management tactics from bureaucratic control to a balanced scorecard approach. He says that the goal of the company is to make the change within six months. Your boss puts you in charge of improving customer service. Please answer the following questions regarding this scenario.

- 144) Which of the following is NOT a primary focus for the hotel chain now that it is implementing a balanced scorecard?
- a. Customer service
 - b. Learning and growth
 - c. Finance
 - d. Internal business processes
 - e. Social responsibility
- 145) Which of the following would you be responsible for?

- a. Developing new training strategies
- b. Improving check-in times
- c. Using activity-based costing to determine what area of the company needs to improve financially
- d. Lowering costs of suppliers
- e. Buying environmentally-friendly laundry equipment

- 146) Which of the following will not be a focus with a balanced scorecard?
- a. Subjective control
 - b. Focus on objectives
 - c. Focus on measures
 - d. Focus on targets
 - e. Focus on initiatives

Use the following to answer questions 147-148:

You are the quality control manager at Elementary Clothing, a textile company. In the past, the company has focused on workers and has performed independent inspections of workers. You are hired to create a more customer-oriented quality approach. One of your first goals is to limit defects to one per 3.4 million units. One day, your manager approaches you and tells you that in order to improve quality and reduce costs, the company will install new equipment that will require fewer employees for the same level of output. Please answer the following questions based on this scenario.

- 147) To create a more customer-oriented quality approach, which method should you use?
- a. Total quality management
 - b. Kaizen
 - c. Just-in-time
 - d. Kanban
 - e. Process reengineering
- 148) One defect per 3.4 million units is:
- a. two sigma
 - b. three sigma
 - c. four sigma
 - d. five sigma
 - e. six sigma

Production/Operation Management

- 149) Forecasting are usually classified by time horizon into three categories:
- a. Short range, medium range, and long range
 - b. Finance/accounting, marketing, and operations
 - c. Strategic, tactical, and operational
 - d. Exponential smoothing, regression, and time series
 - e. Departmental, organizational, and industrial

- 150) Which of the following statements about time series forecasting is **true**?
- a. It is based on the assumption that future demand will be the same as past demand.
 - b. It makes extensive use of the data collected in the quantitative approach.
 - c. The analysis of past demand helps predict future demand.
 - d. Because it accounts for trends, cycles, and seasonal patterns, it is more powerful than casual forecasting.
 - e. All of the above are true

- 151) The decision criterion that would be used by an optimistic decision maker solving a problem under conditions of uncertainty would be:
- a. expected monetary value criterion
 - b. equal likely criterion
 - c. maximax criterion
 - d. maximin criterion
 - e. minimin criterion
- 152) A decision maker using the maximin criterion would choose Alternative ____ because the value of maximin is ____.

Alternative	State of Nature		
	S1	S2	S3
A	50	55	60
B	-30	50	80
C	70	40	-40
D	-90	-20	130

- a. D; 130
 - b. D; -90
 - c. C; 70
 - d. A; 50
 - e. B; 80
- 153) Which of the following statements about ABC analysis is **False**?
- a. ABC analysis is based on the assumption that controlling the few most important items produces the vast majority of inventory saving.
 - b. In ABC analysis "A" items are tightly controlled, have accurate records, and receive regular review by major decision maker.
 - c. In ABC analysis, "C" items have minimal records, periodic review, and simple controls.
 - d. ABC analysis is based on the assumption that all items must be tightly controlled to produce important cost saving.
 - e. All of the above are true.
- 154) For a certain item, the optimal order quantity obtained by EOQ model was 200 units and the total annual inventory holding cost was \$600. The inventory holding cost per unit per year for this item is:
- a. \$1.50
 - b. \$2.00
 - c. \$3.00
 - d. \$150.00
 - e. not enough data to determine
- 155) The _____ is (are) the MRP input detailing which end items are to be produced, when they are needed, and in what quantities.
- a. master production schedule
 - b. gross requirements
 - c. inventory records
 - d. assembly time chart
 - e. bill of material
- 156) Each X requires 2 of component Y; each Y requires 4 of part Z. The lead time for assembly X is 1 week. The lead time for Y is 1 week and the lead time for component Z is 6 weeks. The cumulative lead time for X is:
- a. 6 weeks
 - b. 4 weeks
 - c. 8 weeks
 - d. 10 weeks
 - e. cannot be determined

- 157) What is the forecast for May using a four month moving average?

Nov	Dec	Jan	Feb	Mar	Apr	May
39	44	40	46	42	44	

- a. 48
 b. 45
 c. 46
 d. 47
 e. 43
- 158) The main purpose of the mean absolute deviation (MAD) in forecasting is to:
- a. estimate trend line
 b. measure forecast accuracy
 c. eliminate forecast error
 d. seasonally adjust the forecast
 e. all of the above

Legal and Social Environment

- 159) In deciding where to bring a lawsuit, the plaintiff should consider:
- a. Where jurisdiction can be obtained over the defendant
 b. What procedural rules will be used to try the case?
 c. Both a and b are correct answers.
 d. Neither a nor b is a correct answer.
- 160) The Commerce Clause gives the federal government the power to regulate commerce that:
- a. Actually crosses state lines only.
 b. Affects interstate commerce or is conducted with foreign nations or Indian tribes.
 c. The states have chosen not to regulate.
 d. Involves at least one business domiciled in the United States.
- 161) In labor law unfair labor practices by an employer include:
- a. Discriminating against an employee because of union membership.
 b. Interfering in the employees' choice of a union.
 c. Both a and b are correct.
 d. Neither a nor b would be unfair labor practice
- 162) The antitrust laws were passed in response to general changes in the national business environment caused by:
- a. The United States gaining independence from England.
 b. The expansion of the United States west of the Mississippi River following the Louisiana Purchase.
 c. The industrialization in the latter part of the 1800s and the rise of industrial trusts.
 d. The stock market crash of 1929 and the Great Depression.
 e. The rapid boom in consumer products following the Second World War.
- 163) The primary overall purpose of the Truth-in-Lending Act is to:
- a. Provide full disclosure of consumer credit transactions to borrowers and potential borrowers.
 b. Speed up the processing and closing of consumer credit transactions.

- c. Make consumer credit available to greater numbers of borrowers.
 d. Make consumer credit transactions more affordable for borrowers.
 e. To provide increased flexibility in the terms of consumer credit transactions.

- 164) Under the law, a tort can be described as:
- a. Any violation of an ethical duty.
 b. Another term for a crime or misdemeanor.
 c. Any action done in violation of a prior agreement that allows the victim to recover damages.
 d. Any civil wrong that allows the injured person to recover damages.
- 165) Which is true about corporate criminal liability?
- a. Corporations have always been just as subject to criminal liability as individuals.
 b. Because a corporation cannot be sent to prison, they generally cannot be held criminally liable for the actions of their officers.
 c. If the criminal conduct can be traced to a specific person or persons, those persons, not the corporation, will be liable.
 d. There can be liability for both the individuals who commit crimes and for the corporation on whose behalf the crimes were committed.
- 166) The Environmental Protection Agency has the power to do which of the following?
- a. Adopt regulations.
 b. Initiate judicial proceedings.
 c. Adopt regulations and hold hearings.
 d. Adopt regulations and initiate judicial proceedings.
 e. Adopt regulations, hold hearings, and initiate judicial proceedings.
- 167) Which of the following is not one of the general sources of international law.
- a. A treaty between countries.
 b. A convention among countries.
 c. Custom.
 d. United Nations resolutions.
- 168) Which of the following is true:
- a. Contracts can be classified as either voluntary or involuntary.
 b. All contracts are legally enforceable.
 c. The terms of a valid contract become private law between the parties.
 d. Contract promises are generally not enforced by the courts.
- 169) Which of the following is false concerning contract formation?
- a. The parties may voluntarily perform a contract that is unenforceable.
 b. The parties may voluntarily perform a contract that is void.
 c. A valid contract consists of an agreement, legally sufficient consideration, competent parties, and has legal objective.
 d. Express contracts are stated in oral or written words.
- 170) A business arrangement where one party allows another to use its name, trademark, or sell its products in the business is known as:
- a. Joint venture

- b. Proprietorship
 - c. Franchise
 - d. Royalty
 - e. Partnership
- 171) Which of the following best describes the requirements of a partnership:
- a. An association of persons, owning property, sharing gross receipts.
 - b. An association of persons, owning and operating a business in order to make a profit.
 - c. An association of persons, owning property in order to make a profit.
 - d. Any association of persons.
- 172) A limited partnership is required to have at least:
- a. Two limited partners.
 - b. One general partner and two limited partners.
 - c. One general partner and one limited partner.
 - d. Two general partners.
 - e. Two partners who can be any mix of limited and general partners.
- 173) An express agency requires:
- a. A written agreement between the principal and agent.
 - b. An oral or written agreement between the principal and agent.
 - c. No agreement if the conduct indicates an implied agreement.
 - d. An ongoing arrangement for a reasonable period of time.
- 174) The primary function of an agent in a principal-agent relationship is to:
- a. Protect the principal from legal liability.
 - b. Conduct business on behalf of the principal.
 - c. Enter into contracts with the principal.
 - d. Operate as a partner with the principal.
 - e. Maintain the principal's status quo.
- 175) What is the legal effect today of putting the copyright mark © on a work?
- a. It entitles the creator to provisional copyright protection until a formal copyright application is filed.
 - b. It extends the valid period of the creator's copyright such that it continues until 50 years beyond the creator's life.
 - c. It has no legal effect.
 - d. Its presence can help defeat an infringer's claim that the infringement was innocent.
 - e. It prevents the fair use doctrine from applying.
- 176) Which of the following statements is true regarding the relationship of law and ethics?
- a. The legal requirements will almost always be the same as the ethical requirements because the law is based on the ethical standards.
 - b. In some cases ethics will require a higher standard of conduct than the law, but never vice versa.
 - c. In some cases the law will require a higher standard of conduct than ethics, but never vice versa.
 - d. Depending on the circumstances, the law can require a higher, lower, or the same standard of conduct as ethics demands.
- 177) The theory of business social responsibility that holds that a business owes duties solely to produce the highest return for its shareholders is:
- a. Moral minimum.
 - b. Maximizing profits.
 - c. Stakeholder interests.
 - d. Corporate citizenship
- 178) In order to obtain a patent for an invention, the invention must be all of the following except
- a. Novel.
 - b. Profitable.
 - c. Nonobvious.
 - d. Useful.